Ministry of Agriculture

Saskatchewan Agricultural Stabilization Fund

Annual Report for 2015-16

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Government of Saskatchewan

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Letters of Transmittal

The Honourable Lyle Stewart
Minister of Agriculture

June 30, 2016

Her Honour, the Honourable Vaughn Solomon Schofield,
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I have the pleasure to submit to your Honour the annual report of the Saskatchewan Agricultural Stabilization Fund for the fiscal year ending March 31, 2016.

Respectfully submitted,

Lyle Stewart
Minister of Agriculture

Alanna Koch
Deputy Minister of Agriculture

June 30, 2016

The Honourable Lyle Stewart
Minister of Agriculture

I wish to present to you the annual report of the Saskatchewan Agricultural Stabilization Fund for the fiscal year ending March 31, 2016.

The Fund's annual report was prepared under my direction in accordance with the Government's Accountability Framework and its system of planning, measuring and reporting.

All key actions and associated economical or fiscal implications of which I am aware have been considered in preparation of this report.

Respectfully submitted,

Alanna Koch
Deputy Minister of Agriculture

The Saskatchewan Agricultural Stabilization Fund

The Saskatchewan Agricultural Stabilization Fund (the Fund) is established under *The Farm Financial Stability Act* (the Act).

The purpose of the Fund is to administer those programs established under the Act that enhance or stabilize the incomes of Saskatchewan farmers or the returns from commodities produced by Saskatchewan farmers.

The Fund administers each program that is set up under it by establishing a separate account, which receives funding from the provincial and federal governments and pays out these funds according to the specific program regulations.

The Fund operates the following four accounts (two are inactive), which are established by the regulations noted:

- Wildlife Damage Compensation and Livestock Predation Prevention Program – The Wildlife Damage and Livestock Predation Regulations
- The Farm and Ranch Water Infrastructure Program 2013 (FRWIP) – The 2013 Farm and Ranch Water Infrastructure Program Regulations
- The 2009 Farm and Ranch Water Infrastructure Program (FRWIP 2009) – The 2009 Farm and Ranch Water Infrastructure Program Regulations (account inactive)
- The Canada-Saskatchewan Excess Moisture Program (CSEMP) – The Excess Moisture Program Regulations, 2011 (account inactive)

Wildlife Damage Compensation and Livestock Predation Prevention Program

The Wildlife Damage Compensation and Livestock Predation Prevention Program, referred to as the Wildlife Damage Compensation Program, is administered by the Saskatchewan Crop Insurance Corporation (SCIC) under Growing Forward 2 on behalf of the federal and provincial governments. This program consists of three components: crop damage compensation, predation compensation and prevention.

Under this program, compensation is provided for crop damage caused by any wild animal, including ducks, geese, sandhill cranes, white-tailed and mule deer, antelope, elk, bison, moose, bear, and, most recently, wild boar, beavers and blackbirds. Producers are eligible for 100 per cent compensation on claims $150 and over. Payments are based on the grade at the time of harvest, reflecting the value of the damaged crop; protein adjustments and malting status are not included in determining compensation amounts.

In 2010, compensation also became available for wildlife damage to crops and feed used for swath, bale and corn grazing. The previous compensation limit of $5,200 was also removed for wildlife damage to stacked feed in a yard site.

SCIC began administering predation compensation in 2010. The program now provides 100 per cent compensation for the death of livestock or poultry due to predation and up to 80 per cent of the animal's value to cover veterinary costs of an injured animal. Compensation is determined based on market prices.

Funding for crop and predation losses is cost-shared 60 per cent by the federal government and 40 per cent by the provincial government up to the 80 per cent compensation level; the provincial government contributes the additional 20 per cent.

Prevention measures to reduce crop and predation losses are also funded under this program. Available prevention measures include predation specialists, lure crops, waterfowl feeding stations, scare cannons and compensation for guard dogs and fencing.

There are no premiums paid by producers and all Saskatchewan producers are eligible for compensation. Producers do not need to be Crop Insurance contract holders.

Though the former waterfowl and big game programs were combined under a single wildlife program in 2007, the compensation for each type of loss is reported separately.

Wildlife Damage Compensation and Livestock Predation Prevention Program Summary

Fiscal Year	Waterfowl Claims	Waterfowl Compensation Paid	Big Game Claims	Big Game Compensation Paid	Predation Claims	Predation Compensation Paid
06-07	1,119	$4,055,209	1,588	$3,890,262		
07-08	1,458	$7,696,618	1,294	$3,721,846		
08-09	713	$2,159,830	927	$2,351,247		
09-10	1,129	$4,154,806	1,235	$3,618,716		
10-11	1,307	$10,423,387	1,401	$5,318,029	3,508	$1,489,132
11-12	364	$1,523,552	1,457	$4,003,366	2,205	$1,268,279
12-13	661	$2,965,034	727	$2,753,460	2,957	$1,539,609
13-14	684	$2,585,807	1,884	$6,476,033	1,463	$1,454,264
14-15	1,281	$7,417,948	1,081	$3,624,629	1,347	$1,534,258
15-16	1,457	$9,146,698	965	$4,103,584	2,190	$1,542,822
Ten-Year Average	**1,017**	**$5,212,889**	**1,256**	**$3,986,117**	**n/a**	**n/a**
Five-Year Average	**889**	**$4,727,808**	**1,223**	**$4,192,214**	**2,032**	**$1,467,846**

Farm and Ranch Water Infrastructure Program 2013 (FRWIP 2013)

FRWIP 2013 provides funding to farmers, ranchers, irrigation districts, rural municipalities (RMs) and First Nation bands to develop secure water supplies to mitigate the effects of drought and encourage economic growth. There are four categories to the program:

1) **On-farm** – funding for farmers and ranchers to develop sustainable water sources for agricultural use such as well, pipeline and dugout projects (50 per cent of eligible costs);

2) **Agricultural Business Development** – funding for intensive agricultural operations, value-added agricultural businesses and Indian Bands to develop sustainable water sources for agricultural use, as well as funding for non-district irrigators to increase irrigation capacity and develop new irrigated acres in Saskatchewan (50 per cent of eligible costs);

3) **Community Wells** – funding for RMs and First Nation bands for community well projects (66 per cent of eligible costs); and

4) **Irrigation Districts** – funding for Irrigation Districts for infill development (90 per cent of eligible costs).

The program was announced on May 3, 2013. The deadline for submitting applications is August 1, 2017 and applicants must complete their projects prior to February 15, 2018. In 2015-16, $8.31 million in payments were made on 592 projects.

Canada-Saskatchewan Excess Moisture Program (CSEMP)

The CSEMP provided $30 per eligible acre to Saskatchewan producers who had land too wet to seed as of June 20, 2011, or seeded crop lost because of flooding on or before July 31 in 2010 and 2011. The program was administered by the Saskatchewan Crop Insurance Corporation and the cost was shared, with 60 per cent paid by the federal government and 40 per cent paid by the provincial government under the AgriRecovery program. All remaining activity under the program relates to appeals and disputed payments.

Saskatchewan Agricultural Stabilization Fund

FINANCIAL STATEMENTS

March 31, 2016

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Saskatchewan Agricultural Stabilization Fund (the Fund) have been prepared by management in accordance with Canadian public sector accounting standards, using management's best estimates and judgments where appropriate.

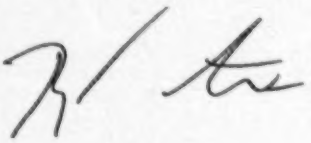
The Fund's management is responsible for the reliability and integrity of these financial statements and other information in this annual report. Financial information in the annual report is consistent with that provided in these financial statements.

In discharging its responsibility for the reliability and integrity of these financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records are maintained.

The Fund's external auditor, KPMG LLP, has audited these financial statements and conducted a review of internal accounting policies and procedures to the extent required to enable them to express an opinion on these financial statements.

Alanna Koch
Deputy Minister
Ministry of Agriculture

May 20, 2016



Raymond Arscott, CPA, CA
Executive Director
Corporate Services Branch
Ministry of Agriculture

May 20, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly Province of Saskatchewan

We have audited the accompanying financial statements of Saskatchewan Agricultural Stabilization Fund, which comprise the statement of financial position as at March 31, 2016 and the statements of operations and accumulated operating surplus and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Agricultural Stabilization Fund as at March 31, 2016 and the results of its operations and changes in its accumulated operating surplus and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

May 20, 2016
Regina, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Statement of Financial Position

As at March 31

	Wildlife Damage Compensation Program	
	2016	**2015**
Financial Assets		
Cash	$ 3,010,245	$ 2,155,109
Investments (Note 3)	4,010,011	4,010,011
Due from Government of Canada	4,543,428	3,508,476
Accrued interest and other receivables	30,323	34,102
	11,594,007	9,707,698
Liabilities		
Accounts payable and accrued liabilities	34,266	33,654
Indemnities payable	6,607,418	3,962,824
Grants payable	–	–
Due to the Saskatchewan Crop Insurance Corporation	778,065	1,125,393
Due to Province of Saskatchewan – GRF	10,162	78,077
	7,429,911	5,199,948
Net Financial Assets and Accumulated Operating Surplus	$ 4,164,096	$ 4,507,750

Commitments (Note 7)
See accompanying notes to financial statements.

The Farm and Ranch Water Infrastructure Program 2013		Canada – Saskatchewan Excess Moisture Program		Total	
2016	2015	2016	2015	2016	2015
$ 12,725,875	$ 21,751,746	$ –	$ 67,061	$ 15,736,120	$ 23,973,916
–	–	–	–	4,010,011	4,010,011
–	–	–	–	4,543,428	3,508,476
–	–	12,822	12,379	43,145	46,481
12,725,875	21,751,746	12,822	79,440	24,332,704	31,538,884
–	–	–	–	34,266	33,654
–	–	–	–	6,607,418	3,962,824
287,562	979,208	–	–	287,562	979,208
–	–	–	–	778,065	1,125,393
–	22,087	12,822	79,440	22,984	179,604
287,562	1,001,295	12,822	79,440	7,730,295	6,280,683
$ 12,438,313	$ 20,750,451	$ –	$ –	$ 16,602,409	$ 25,258,201

Statement of Operations and Accumulated Operating Surplus

For the period ended March 31

	Wildlife Damage Compensation Program	
	2016	**2015**
Revenue		
Interest income	$ 42,206	$ 49,773
Province of Saskatchewan		
– General Revenue Fund grant programs	9,067,915	7,321,492
Government of Canada	8,370,383	6,758,302
	17,480,504	14,129,567
Expenses		
Indemnities	17,438,312	14,079,926
Administration	385,846	420,997
Grants to producers	–	–
Transfers to the Government of Canada	–	–
Transfers to the Government of Saskatchewan	–	–
	17,824,158	14,500,923
Operating Surplus (Deficit)	(343,654)	(371,356)
Accumulated Operating Surplus, beginning of the year	4,507,750	4,879,106
Accumulated Operating Surplus, end of the year	$ 4,164,096	$ 4,507,750

See accompanying notes to financial statements.

The Farm and Ranch Water Infrastructure Program 2013		Canada – Saskatchewan Excess Moisture Program		Total	
2016	2015	2016	2015	2016	2015
$ –	$ –	$ 443	$ 472	$ 42,649	$ 50,245
–	11,300,000	–	54,443	9,067,915	18,675,935
–	6,050,000	–	–	8,370,383	12,808,302
–	17,350,000	443	54,915	17,480,947	31,534,482
–	–	–	–	17,438,312	14,079,926
1,381	50,578	1	8	387,228	471,583
8,310,757	6,427,743	–	26,958	8,310,757	6,454,701
–	–	–	27,949	–	27,949
–	–	442	–	442	–
8,312,138	6,478,321	443	54,915	26,136,739	21,034,159
(8,312,138)	10,871,679	–	–	(8,655,792)	10,500,323
20,750,451	9,878,772	–	–	25,258,201	14,757,878
$ 12,438,313	$ 20,750,451	$ –	$ –	$ 16,602,409	$ 25,258,201

Statement of Cash Flows

For the period ended March 31

	Wildlife Damage Compensation Program		The Farm and Ranch Water Infrastructure Program 2013	
	2016	2015	2016	2015
Cash flows from (used in) operating activities:				
Cash receipts from the Government of Canada	$ 7,335,431	$ 4,940,090	$ –	$ 7,545,820
Cash receipts from the General Revenue Fund	9,000,000	7,322,000	–	11,300,000
Interest received	45,985	17,106	–	–
Cash paid to the Government of Saskatchewan	–	–	–	(7,234)
Cash received from Saskatchewan Crop Insurance Corporation	(347,328)	532,962	–	–
Cash paid for administration	(385,846)	(420,997)	(1,381)	(28,491)
Cash paid to producers	(14,793,106)	(12,576,835)	(9,024,490)	(6,656,535)
Net increase (decrease) in cash and cash equivalents	855,136	(185,674)	(9,025,871)	12,153,560
Cash and cash equivalents at beginning of year	6,165,120	6,350,794	21,751,746	9,598,186
Cash and cash equivalents at end of year	$ 7,020,256	$ 6,165,120	$ 12,725,875	$ 21,751,746
Cash and cash equivalents include:				
Cash	$ 3,010,245	$ 2,155,109	$ 12,725,875	$ 21,751,746
Investments	4,010,011	4,010,011	–	–
	$ 7,020,256	$ 6,165,120	$ 12,725,875	$ 21,751,746

See accompanying notes to financial statements.

The Farm and Ranch Water Infrastructure Program 2009		Canada – Saskatchewan Excess Moisture Program		Total	
2016	2015	2016	2015	2016	2015
$ –	$ –	$ –	$ 19,280	$ 7,335,431	$ 12,505,190
–	–	–	–	9,000,000	18,622,000
–	–	1	4,104	45,986	21,210
–	(24,609)	(67,061)	(1,399,999)	(67,061)	(1,431,842)
–	–	–	–	(347,328)	532,962
–	–	(1)	(8)	(387,228)	(449,496)
–	–	–	(26,958)	(23,817,596)	(19,260,328)
–	(24,609)	(67,061)	(1,403,581)	(8,237,796)	10,539,696
–	24,609	67,061	1,470,642	27,983,927	17,444,231
$ –	$ –	$ –	$ 67,061	$ 19,746,131	$ 27,983,927
$ –	$ –	$ –	$ 67,061	$ 15,736,120	$ 23,973,916
–	–	–	–	4,010,011	4,010,011
$ –	$ –	$ –	$ 67,061	$ 19,746,131	$ 27,983,927

Notes to the Financial Statements

As at March 31, 2016

1. Status of the Fund

The Saskatchewan Agricultural Stabilization Fund (the Fund) is established under *The Farm Financial Stability Act* (the Act). The Fund generally includes programs established under the Act where the Federal Government has agreed to participate.

The following programs exist within the Fund:

Wildlife Damage Compensation Program:

The Wildlife Damage Compensation and Livestock Predation Prevention Program, referred to as the Wildlife Damage Compensation Program, is administered by the Saskatchewan Crop Insurance Corporation and is the successor program to the Big Game Damage Compensation and the Waterfowl Damage Compensation Programs, which were established in 1996-97 and 1997-98 fiscal years respectively, pursuant to Part IV of the Act. The purpose of the program is to compensate producers of commercial agricultural crops for losses to field crops resulting from damage caused by big game and waterfowl and predation compensation for the death of livestock or poultry due to predation.

Farm and Ranch Water Infrastructure Program 2013:

The Farm and Ranch Water Infrastructure Program 2013, supports the development of agricultural water infrastructure to increase irrigation capacity, mitigate the impact of drought and promote economic development in rural areas and in the livestock industry.

The program provides support for water infrastructure under four program categories: on-farm, community well, agricultural business development and irrigation district infill. The on-farm component is available for farmers, ranchers and First Nation bands. The community well component is available to rural municipalities and First Nation bands. The agricultural business development component is available to intensive livestock operations, intensive horticulture operations, value-added agricultural businesses, non-district irrigators and First Nations bands. The irrigation district infill component is available to irrigation districts. The program is administered by the Saskatchewan Ministry of Agriculture and is cost shared with the federal government.

Canada-Saskatchewan Excess Moisture Program:

The Canada-Saskatchewan Excess Moisture Program is administered by the Saskatchewan Crop Insurance Corporation. Together, the federal and provincial governments provided $30 per acre to Saskatchewan producers who had land too wet to seed as of June 20, 2011, or seeded crop lost because of flooding on or before July 31, in 2010 and 2011. The funding for this program comes from AgriRecovery, which is part of the federal-provincial Growing Forward 2 Business Risk Management Suite.

In the event that these programs terminate, any remaining net financial assets must be returned to the Government of Saskatchewan's General Revenue Fund.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles as recommended by the CPA Canada Public Sector Accounting Handbook. A statement of remeasurement gains and losses has not been prepared as the Fund does not have any remeasurement gains and losses.

Financial Assets and Liabilities:

Financial assets and liabilities of the Fund include cash, investments, due from the Government of Canada, accrued interest and other receivables, accounts payable and accrued liabilities, indemnities payable, grants payable, due to the Saskatchewan Crop Insurance Corporation, and due to the Province of Saskatchewan – General Revenue Fund (GRF).

Cash and investments are recorded by the Fund at fair value. All other financial assets and liabilities are recorded at amortized cost.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash, short-term investments with a maturity of 90 days or less, the Fund's bank accounts that are included in the Consolidated Offset Bank Concentration arrangement for the Government of the Province of Saskatchewan and all other amounts due from the Province of Saskatchewan General Revenue Fund.

Investments:

Investments are recorded at fair value. The fair value of investments is based on cost, which approximates fair value due to the short-term nature of these financial instruments.

Revenue Recognition:

Funding received is recognized as revenue once authorized and all eligibility criteria have been met.

The Wildlife Damage Compensation program was funded at 80 per cent coverage, cost shared 60 per cent by the federal government and 40 per cent by the provincial government. On February 19, 2009, coverage was increased to 100 per cent, with the provincial government funding the additional 20 per cent.

The Farm and Ranch Water Infrastructure Program 2013 is funded by the federal government and by the provincial government under the Growing Forward 2 Framework Agreement.

The amount recognized as revenue from the federal government is a percentage of the program eligible expenses.

The return of grant money to the General Revenue Fund is recognized as an expense.

The fund recognizes interest as earned and investment gains and losses when realized.

Use of Estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. The significant item subject to such estimates and assumptions is indemnities payable. Actual results could differ from those estimated.

3. Investments

The Fund's investments are in 12 month 30 day cashable term accounts, with an interest rate in 2015-16 of 1.05 per cent (2014-15 – 1.05 per cent).

4. Planned Results

	Budget 2015-16 ($000)	Actual 2015-16 ($000)	Actual 2014-15 ($000)
Revenue			
Wildlife Damage Compensation	$12,500	$17,480	$14,130
Canada-Sask. Excess Moisture Program	–	1	55
Farm and Ranch Water Infrastructure 2013	12,998	–	17,350
Expenses			
Wildlife Crop Damage Compensation	12,500	17,824	14,501
Canada-Sask. Excess Moisture Program	–	1	55
Farm and Ranch Water Infrastructure 2013	12,998	8,312	6,478

The planned results and planned amounts have been derived from the budget approved by the Deputy Minister's Office on February 24, 2015.

5. Fair Value of Financial Assets and Financial Liabilities

The carrying amounts of all financial assets and financial liabilities approximate their fair value due to their short-term nature. The Fund is not exposed to significant credit risk, liquidity risk or market risk.

6. Related Party Transactions

Included in these financial statements are transactions with various related parties including Saskatchewan Crown corporations, ministries, agencies and boards related to the Fund by virtue of common control by the Government of Saskatchewan.

The Saskatchewan Crop Insurance Corporation administers the Wildlife Damage Compensation and Canada-Saskatchewan Excess Moisture programs.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

In accordance with established government practice, the Fund has not been charged with certain occupancy, financing, administrative, and other costs. These costs have been absorbed by various Ministry appropriations and, therefore, no provision for such costs is reflected in these financial statements.

7. Commitments

Under the Farm and Ranch Water Infrastructure Program 2013, the Fund has committed at March 31, 2016, to provide assistance to applicants for projects to develop water infrastructure totalling $19,632,425. $287,562 of this has been reflected as grants payable in these financial statements.

8. Accounting Standard Changes

Accounting standard amendments which may impact the Fund are not effective for the year ended March 31, 2016, and have not been applied in preparing these financial statements. In particular, the following accounting standard amendments are effective for financial statements beginning on or after April 1, 2017:

- PS 2200 – Related Party Disclosures
- PS 3210 – Assets
- PS 3320 – Contingent Assets

The extent of the impact on adoption of these accounting standards is not known at this time.